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ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
ANNUAL FINANCIAL REPORTS
JUNE 30, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/4/09

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JOHN S. DOWLING & COMPANY
 A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

John S. Dowling, CPA
 1904-1984
 John Newton Stout, CPA
 1936-2005

Retired

Harold Dupre, CPA
 1996
 Dwight Ledoux, CPA
 1998
 Joel Landlos, Jr., CPA
 2003
 Russell J. Stelly, CPA
 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Sunset, Louisiana

We have audited the accompanying financial statements of the business-type activities of the St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of St. Landry Waterworks District No. 2 Rural's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of June 30, 2009 and 2008, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2009 on our consideration of St. Landry Waterworks District No. 2 Rural's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
St. Landry Waterworks District No. 2 Rural
Page 2

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements. The management's discussion and analysis and other required supplementary information on pages 3 through 6 and 21 through 23 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," and is also not a required part of the basic financial statements of the St. Landry Waterworks District No. 2 Rural. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis and other required supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

John S. Dowling & Company

Opelousas, Louisiana
October 7, 2008

St. Landry Waterworks District No. 2 Rural
253 Marie Street, Sunset, Louisiana 70584

Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

The Management's Discussion and Analysis of the St. Landry Waterworks District No. 2 Rural (Water District) presents an overview and analysis of the Water District's financial activities for the fiscal year ended June 30, 2009. Please read this document in conjunction with the Water District's annual financial report.

Financial Highlights

- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$432,961 include property and equipment, net of accumulated depreciation, and reduced for debt related to purchases of capital assets.
 - (2) Unrestricted net assets of \$89,043.
 - (3) Restricted net assets of \$108,132 for debt service and \$100 for construction.
- Total revenues of \$408,521, exceeded the total expenditures of \$377,533 which resulted in an increase of \$30,988, compared to the prior year's surplus of \$4,138.
- Total operating revenues increased by \$25,446 from the prior year, due to an increase in water sales and late fees, and operating expenses decreased by \$1,404 from the prior year.

Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of the management's analysis of St. Landry Parish Waterworks District No. 2 Rural's financial condition and performance.

The financial statements report information on the Water District using full accrual accounting methods. The financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets provides a basis for evaluation of the Water District's financial position.

The Statement of Revenues, Expenses, and Changes in Net Assets provides the Water District information on its revenues and expenses during the fiscal year and will determine if the Water District had enough revenue to cover the expenditures.

The Statement of Cash Flows reports net cash provided by operating activities, capital and related financing activities, and investing activities.

The Fund Financial Statements

There is a general operating account that consists of the revenues from the water consumption payments. Also included in this operating account are: past due penalty fees, water service disconnection and reconnection fees, and interest payments from the bank. All Water District expenses are paid from this account.

St. Landry Waterworks District No. 2 Rural
253 Marie Street, Sunset, Louisiana 70584

There is a separate account for the customer water deposits and new meter payments, which is identified as the Meter Account. When the new meter is installed, the money paid by the customer for the new meter is transferred to the general Operating Account and the acquired expenses are then paid.

There are three savings accounts set up, called the Revenue Fund, the Depreciation Fund, and the Reserve Note Fund. These accounts hold money for grant/loan money that is being paid by the Water District monthly to the United States Department of Agriculture/Rural Development.

There are three certificates of deposit that are secondary accounts that hold reserve money for the USDA grant/loan.

There is an account set up as a NOW Account that is a holding account for emergency funds.

FINANCIAL ANALYSIS OF THE WATER DISTRICT

	<u>6/30/2009</u>	<u>6/30/2008</u>
Current Assets	\$ 141,298	\$ 116,180
Restricted Assets	159,566	140,960
Capital Assets	2,024,051	2,122,621
Other Assets	41,769	43,072
<u>Total assets</u>	<u>2,366,684</u>	<u>2,422,833</u>
 <u>Total liabilities</u>	 <u>1,736,448</u>	 <u>1,752,112</u>
 Net Assets:		
Invested capital assets, net of debt	432,961	499,459
Restricted	108,232	96,500
Unrestricted	89,043	74,762
 <u>Total net assets</u>	 <u>630,236</u>	 <u>670,721</u>

Net assets of the Water District decreased by \$40,485 from June 30, 2008 to June 30, 2009.

	<u>6/30/2009</u>	<u>6/30/2008</u>
Operating Revenues	\$ 408,521	\$ 383,075
Operating Expenses	377,533	378,937
Operating Income	30,988	4,138
 Non-Operating Revenues (Expenses)	 <u>(71,473)</u>	 <u>(83,105)</u>
 Net increase (decrease) in net assets	 <u>(40,485)</u>	 <u>(78,967)</u>

**St. Landry Waterworks District No. 2 Rural
253 Marie Street, Sunset, Louisiana 70584**

Capital Assets and Debt Administration

As of June 30, 2009, the Water District had \$2,024,051, net of accumulated depreciation, invested in property, water plant, and equipment. There is a breakdown below.

	<u>2009</u>	<u>2008</u>
Land	\$ 17,500	\$ 17,500
Water System	2,922,756	2,913,109
Equipment	35,556	32,357
Automobile	20,009	20,009
Buildings/Improvement	45,194	45,194
Office Equipment	10,503	10,503
Land Improvements	12,725	12,725
Less Accumulated Depreciation	<u>(1,040,192)</u>	<u>(928,776)</u>
 Total Property, Plant and Equipment	 <u><u>2,024,051</u></u>	 <u><u>2,122,621</u></u>

Debt Outstanding

As of June 30, 2009, the Water District had \$1,666,666 in outstanding debt in bonds and notes. The debt originated in 1989 to construct water lines and a water plant. Also, included in this debt is \$835,000 in Water Revenue Bonds Series 2007. The outstanding debt decreased by \$26,042 from the \$1,692,708 due at the end of June 30, 2008.

The payments of \$8,220 a month on the bonds were made in the business-type activity. A total of \$98,565 was paid out on bonds for principal and interest for the fiscal year ended June 30, 2009.

Economic Factors

The Water District is a water system designed to serve the rural areas of Sunset, Church Point, Carencro, Opelousas, and Cankton. The population served, according to the State of Louisiana guide of three people served per household, is currently 3,840 customers. The population is increasing each month due to line extension made on the system, which covers areas in Carencro, Cankton, and Opelousas.

This rural area is growing and increasing the revenue for the Water District with the population's demand for potable water.

**St. Landry Waterworks District No. 2 Rural
253 Marie Street, Sunset, Louisiana 70584**

Request for Information

This Management's Discussion and Analysis for the Water District is designed to give our customers and creditors a general accountability for all finances. If you have any questions regarding this report or need additional information regarding the District's finances, please contact the secretary at the Water District's office at 253 Marie Street, Sunset, Louisiana 70584.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2009	2008
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Petty cash	\$ 60	\$ 60
General account - checking	61,585	54,102
General account - savings	7,513	4,720
Revenue account - certificate of deposit	1,391	1,348
LAMP investment	16,824	11,679
Accounts receivable	51,990	47,990
Less: Allowance for doubtful accounts	(2,657)	(3,848)
Other receivables	22	12
Due from restricted assets	4,570	117
<u>Total current assets</u>	<u>141,298</u>	<u>116,180</u>
<u>RESTRICTED ASSETS</u>		
Depreciation and Contingency Fund		
Savings	17,954	12,703
Certificates of deposit	14,602	14,151
Construction account - checking	100	100
Reserve note fund		
Savings	44,649	39,241
Certificates of deposit	29,902	28,979
Revenue savings account	3,389	3,369
Due from General Fund	-	400
Customers' deposits		
Bank of Sunset - checking	48,970	42,017
<u>Total restricted assets</u>	<u>159,566</u>	<u>140,960</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water system	2,922,756	2,913,109
Equipment	35,556	32,357
Autos	20,009	20,009
Buildings/improvements	45,194	45,194
Furniture	6,469	6,469
Software	4,034	4,034
Land improvements	12,725	12,725
	3,046,743	3,033,897
Less: Allowance for depreciation	(1,040,192)	(928,776)
Land	17,500	17,500
<u>Total property, plant, and equipment</u>	<u>2,024,051</u>	<u>2,122,621</u>
<u>OTHER ASSETS</u>		
Bond issue costs, net	41,769	43,072
<u>Total other assets</u>	<u>41,769</u>	<u>43,072</u>
<u>Total assets</u>	<u>2,366,684</u>	<u>2,422,833</u>

Continued on next page.

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2009 AND 2008

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2009	2008
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u> (from current assets)		
Accounts payable	\$ 16,280	\$ 12,422
Sales tax payable	56	63
Payroll tax withheld and payable	2,112	2,059
Current portion of long-term debt	27,440	26,269
Due to restricted assets	-	400
<u>Total current liabilities</u>	<u>45,888</u>	<u>41,213</u>
<u>CURRENT LIABILITIES</u> (from restricted assets)		
Accrued interest payable	2,364	2,443
Customers' deposits	44,400	41,900
Due to General Fund	4,570	117
<u>Total restricted liabilities</u>	<u>51,334</u>	<u>44,460</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds	1,666,666	1,692,708
Less: Current portion of long-term debt	(27,440)	(26,269)
<u>Total long-term liabilities</u>	<u>1,639,226</u>	<u>1,666,439</u>
<u>Total liabilities</u>	<u>1,736,448</u>	<u>1,752,112</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	432,961	499,459
Restricted for:		
Construction	100	100
Reserve note fund	75,576	69,546
Depreciation fund	32,556	26,854
Unrestricted	89,043	74,762
<u>Total net assets</u>	<u>630,236</u>	<u>670,721</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2009	2008
<u>OPERATING REVENUES</u>		
Water sales	\$ 349,506	\$ 330,677
Connection fees	31,360	30,540
Late fees	7,064	6,503
Disconnect notice fees	12,590	13,910
Client portion of line extensions	5,535	-
Other revenue	2,466	1,445
<u>Total operating revenues</u>	<u>408,521</u>	<u>383,075</u>
<u>OPERATING EXPENSES</u>		
Current		
Supplies		
Water supplies	27,611	27,748
Office supplies	13,555	18,761
Other		
Salaries	64,355	60,052
Payroll taxes	6,482	5,905
Repairs and maintenance	22,204	20,816
Insurance	18,840	15,291
Dues and subscriptions	256	294
Conventions and seminars	1,286	561
Postage	5,181	4,670
Auto and truck	11,056	12,197
Professional fees	7,050	9,335
Telephone	5,773	7,038
Utilities	21,903	21,339
Per diem and travel allowance	8,900	8,400
Janitorial	2,881	1,243
Miscellaneous	113	201
Meter connection contract fee	13,750	16,355
Louisiana One Call	927	999
Water purchases – Cankton	30,235	30,708
Depreciation	115,175	117,024
<u>Total operating expenses</u>	<u>377,533</u>	<u>378,937</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</u>	<u>30,988</u>	<u>4,138</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest revenue	2,353	3,334
Interest expense	(72,523)	(85,136)
Amortization of bond issue costs	(1,303)	(1,303)
<u>Total non-operating revenues (expenses)</u>	<u>(71,473)</u>	<u>(83,105)</u>
<u>DECREASE IN NET ASSETS</u>	<u>(40,485)</u>	<u>(78,967)</u>
<u>NET ASSETS, beginning of year</u>	<u>670,721</u>	<u>749,688</u>
<u>NET ASSETS, end of year</u>	<u>630,236</u>	<u>670,721</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2009	2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 405,813	\$ 386,267
Cash paid to suppliers	(187,663)	(214,830)
Cash paid to employees	(70,784)	(65,990)
<u>Net cash provided by operating activities</u>	<u>147,366</u>	<u>105,447</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of property, plant, and equipment	(16,605)	(40,172)
Principal paid on bonds	(26,042)	(19,523)
Interest paid on bonds	(72,602)	(83,925)
<u>Net cash used by capital and related financing activities</u>	<u>(115,249)</u>	<u>(143,620)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments and savings	2,353	3,334
Interest reinvested in certificates of deposit	(1,417)	(2,354)
<u>Net cash provided by investing activities</u>	<u>936</u>	<u>980</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>33,053</u>	<u>(37,193)</u>
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	<u>167,991</u>	<u>205,184</u>
<u>CASH AND CASH EQUIVALENTS, end of year</u>	<u>201,044</u>	<u>167,991</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 30,988	\$ 4,138
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	115,175	117,024
Changes in assets and liabilities		
(Increase) decrease in accounts receivable, net	(5,191)	459
(Increase) decrease in other receivable	(10)	257
Increase (decrease) in accounts payable	3,858	(11,984)
Increase (decrease) in sales tax payable	(7)	27
Increase (decrease) in customers' deposits	2,500	2,450
Increase (decrease) in other payable	-	(6,891)
Increase (decrease) in payroll tax payable	53	(33)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>147,366</u>	<u>105,447</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SCOPE OF ENTITY

St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, was created by the St. Landry Parish Police Jury as authorized by Louisiana Revised Statute 33:3814. The ordinance creating this Waterworks District was dated August 14, 1989. The District is governed by a five member board of commissioners, appointed by the Parish Government, who are authorized to construct, maintain, and improve the waterworks system within the District.

As the governing authority of the parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for St. Landry Parish.

The financial reporting entity consists of (a) the primary government (parish government) (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Landry Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Parish Government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Government.
2. Organizations for which the Parish Government does not appoint a voting majority but are fiscally dependent on the Parish Government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Government appoints a voting majority of the Water District's governing body and the Parish Government has the ability to impose its will on the Water District, the Water District was determined to be a component unit of the St. Landry Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Water District and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statements of Net Assets display information on all of the non-fiduciary activities of St. Landry Waterworks District No. 2 Rural, as a whole. They include the proprietary fund of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the GWFS.

C. FUND ACCOUNTING

The accounts of St. Landry Waterworks District No. 2 Rural are organized in one fund, which is considered a separate accounting entity. The operations of the fund are accounted for by self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The fund presented in the financial statements is described as follows:

Proprietary Fund

Proprietary funds are used to account for operations that are financed and operated in a manner where the intent of the governing body is that the costs, (expenses) including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the Statements of Net Assets, business-type activities are presented using the economic resources measurement focus.

The Proprietary Fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the Statements of Net Assets, business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled and billed utility receivables are recorded at year-end. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting - Continued

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material.

Proprietary funds are reported in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements. For the fiscal year ended June 30, 2004, St. Landry Waterworks District No. 2 Rural implemented the new financial reporting requirements of GASB Statements Nos. 33 and 34.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

E. INVESTMENTS

Investments are recorded at cost, which approximates market.

Louisiana statutes authorize St. Landry Waterworks District No. 2 Rural to invest in United States bonds, treasury notes or certificates, time certificates of deposit in state and national banks, the Louisiana Asset Management Pool, or any other federally insured investment.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. CAPITAL ASSETS

Capital assets (including infrastructure assets), which constitute assets of the Proprietary Fund, are recorded at cost and depreciation is computed under the straight-line method and the modified accelerated cost recovery method. The service lives by type of asset are as follows:

Water system	25 years
Equipment	5-7 years
Buildings/improvements	15-30 years
Furniture	7 years
Land improvements	15 years
Autos	5 years
Software	5 years

Interest costs during construction are not capitalized.

G. BUDGET ACCOUNTING

St. Landry Waterworks District No. 2 Rural is not required to adopt a budget for its Proprietary Fund.

H. STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

I. ENCUMBRANCES

St. Landry Waterworks District No. 2 Rural does not employ the encumbrance system of accounting.

J. VACATION AND SICK LEAVE

St. Landry Waterworks District No. 2 Rural has two employees. Employees earn one week of vacation after one year of service. They earn two weeks of vacation after five years of service. Vacation cannot be accumulated. Employees are compensated at their hourly rate when sick.

K. BAD DEBTS

St. Landry Waterworks District No. 2 Rural has a policy of recognizing uncollectible amounts of water billings at the time information becomes available which would indicate the uncollectibility of the receivable.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (2) - CASH

The bank balances of cash, including investments, were \$247,146 and \$214,748 at June 30, 2009 and 2008, respectively and the carrying amounts of cash and investments were \$246,939 and \$212,409 at June 30, 2009 and 2008, respectively. Of the bank balances, at June 30, 2009 approximately \$230,322 is covered by FDIC insurance. The remaining funds of \$16,824 are invested in the Louisiana Asset Management Pool (LAMP). Cash on hand was \$60 at June 30, 2009 and 2008. Investments consist of time certificates of deposit and direct investment in the Louisiana Asset Management Pool (LAMP).

Investments in certificates of deposit were \$45,895 and \$44,478 at June 30, 2009 and 2008, respectively. The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor designed to create a local government investment vehicle. The cooperative endeavor was created at the initiative of the Louisiana State Treasurer's Office. With investment advice provided by professional investment manager and custody of the assets maintained by a major Louisiana bank, LAMP has been established to improve administrative efficiency and increase investment yield for all depositing members. Investments in LAMP were \$16,824 and \$11,679 at June 30, 2009 and 2008, respectively.

NOTE (3) - ACCOUNTS RECEIVABLE

St. Landry Waterworks District No. 2 Rural's accounts receivable consist of uncollected billed and unbilled utility services. An accounts receivable aging schedule is as follows:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
<u>Days</u>	<u>Amounts</u>	<u>Number of Accounts</u>	<u>Amounts</u>	<u>Number of Accounts</u>
0-90	\$ 12,844	744	\$ 13,323	955
91 and older	3,681	197	3,847	201
Unbilled receivables	35,465	1,280	30,820	1,253
<u>Total</u>	<u>51,990</u>		<u>47,990</u>	
Breakdown of customers:				
Residential	1,267		1,236	
Commercial	19		17	
<u>Total</u>	<u>1,286</u>		<u>1,253</u>	

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (3) - ACCOUNTS RECEIVABLE – Continued

The present water rates are as follows:

Residential monthly billing	
First 2,000 gallons (minimum)	\$ 12.25
Over 2,000 gallons (per 1,000 gallons)	2.35
Residential monthly billing - Cankton side	
First 2,000 gallons (minimum)	12.25
Over 2,000 gallons (per 1,000 gallons)	4.00
Commercial monthly billing	
First 2,000 gallons (minimum)	12.25
Over 2,000 gallons (per 1,000 gallons)	2.35

NOTE (4) - RESTRICTED ASSETS

Under the terms of the Loan Resolution Security Agreements with the United States Department of Agriculture, Farmers Home Administration, which is now called Rural Development, all funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Account. The General Account shall be used to make the monthly debt service payments plus operating and maintenance expenses.

From the remaining funds in the General Account there shall be set aside into an account designated as the Reserve Account the sum of \$370 (\$410 beginning 2/20/08) each month until there is accumulated in that account the sum of \$98,266 after which deposits may be suspended, except to replace withdrawals.

There shall also be set aside into an account designated as a contingency account the sum of \$370 (\$410 beginning 2/20/08) each month until there is accumulated in the Contingency Account the sum of \$98,266. Monthly deposits will then increase to \$570.

The proceeds from loans with Rural Development shall be deposited in the Construction Account which shall be established as required by Rural Development. Withdrawals from the Construction Account shall be made only on checks signed by the president of St. Landry Waterworks District No. 2 Rural as authorized by the Board and with prior concurrence of Rural Development. St. Landry Waterworks District No. 2 Rural's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by Rural Development and the Construction Account shall be closed.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (4) - RESTRICTED ASSETS – Continued

The total funds held in each account are as follows:

	<u>June 30, 2009</u>	
	<u>2009</u>	<u>2008</u>
Meter Deposits	\$ 48,970	\$ 42,017
Construction account	100	100
Depreciation and contingency	32,556	26,854
Reserve account	<u>77,940</u>	<u>71,989</u>
	<u>159,566</u>	<u>140,960</u>

During the 2009 fiscal year, the Water System made twelve payments of \$410 into each the Contingency and Reserve Accounts. The Water System also deposited \$240 into each of the accounts for an error made in the previous year.

During the 2008 fiscal year, the Water System made twelve payments of \$370 into the Contingency Account and twelve payments of \$370 into the Reserve Account.

The customers' deposits account represents refundable fifty dollar deposits collected from homeowners and one hundred dollar deposits collected from renters requesting service connection. Customers' deposits are deposited in a separate cash account and totaled \$48,970 and \$42,017 at June 30, 2009 and 2008. There was an amount due to the General Fund from the customers' deposit account in the amount of \$ 4,570 and \$117 at June 30, 2009 and 2008, respectively.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (5) - CAPITAL ASSETS

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2009:

Description of Property	Life in Years	Basis	Accumulated Depreciation	Net	Depreciation This Year
Water system	25 years	\$ 2,922,756	\$ 971,441	\$ 1,951,315	\$ 104,722
Equipment	5 years	35,556	23,415	12,141	2,457
Land		17,500		17,500	
Buildings/ improvements	15-30 years	45,194	17,789	27,405	2,886
Furniture	7 years	6,469	5,889	580	924
Land improvements	15 years	12,725	3,119	9,606	1,184
Autos	5 years	20,009	14,505	5,504	3,002
Software	5 years	4,034	4,034	-	-
<u>Totals</u>		<u>3,064,243</u>	<u>1,040,192</u>	<u>2,024,051</u>	<u>115,175</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2008:

Description of Property	Life in Years	Basis	Accumulated Depreciation	Net	Depreciation This Year
Water system	25 years	\$ 2,913,109	\$ 866,720	\$ 2,046,389	\$ 104,501
Equipment	5 years	32,357	24,716	7,641	3,846
Land		17,500		17,500	
Buildings/ improvements	15-30 years	45,194	14,903	30,291	2,886
Furniture	7 years	6,469	4,964	1,505	924
Land improvements	15 years	12,725	1,935	10,790	1,184
Autos	5 years	20,009	11,504	8,505	3,502
Software	5 years	4,034	4,034	-	181
<u>Totals</u>		<u>3,051,397</u>	<u>928,776</u>	<u>2,122,621</u>	<u>117,024</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (6) - LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions:

	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Series 2007</u>	<u>Total</u>
Balance, June 30, 2007	\$ 720,376	\$ 42,440	\$ 114,415	\$ 835,000	\$ 1,712,231
Reductions in principal	<u>(12,795)</u>	<u>(758)</u>	<u>(2,761)</u>	<u>(3,209)</u>	<u>(19,523)</u>
Balance, June 30, 2008	707,581	41,682	111,654	831,791	1,692,708
Reductions in principal	<u>(13,383)</u>	<u>(813)</u>	<u>(2,888)</u>	<u>(8,958)</u>	<u>(26,042)</u>
Balance, June 30, 2009	<u>694,198</u>	<u>40,869</u>	<u>108,766</u>	<u>822,833</u>	<u>1,666,666</u>

	<u>2009</u>	<u>2008</u>
(1) \$816,000 Water Revenue Bonds Series R-1 due in monthly installments of \$3,746 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	\$ 694,198	\$ 707,581
(2) \$48,000 Water Revenue Bonds Series R-2 due in monthly installments of \$221 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	40,869	41,682
(3) \$136,000 Water Revenue Bonds Series A, due in monthly installments of \$654 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	108,766	111,654
(4) \$835,000 Water Revenue Bonds Series 2007, due in monthly installments of \$3,599 at an interest rate of 4.125%. The debt will be retired from excess annual water revenues.	<u>822,833</u>	<u>831,791</u>
<u>Total bonds payable</u>	<u>1,666,666</u>	<u>1,692,708</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE (6) - LONG-TERM OBLIGATIONS – Continued

The annual requirements to amortize revenue bonds are as follows:

<u>Year Ended June 30,</u>	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Series 2007</u>	<u>Total</u>
2010	\$ 44,952	\$ 2,652	\$ 7,853	\$ 43,186	\$ 98,643
2011	44,952	2,652	7,853	43,186	98,643
2012	44,952	2,652	7,853	43,186	98,643
2013	44,952	2,652	7,853	43,186	98,643
2014	44,952	2,652	7,853	43,186	98,643
2015-2019	224,760	13,260	39,265	215,931	493,216
2020-2024	224,760	13,260	39,265	215,931	493,216
2025-2029	224,760	13,260	39,265	215,931	493,216
2030-2034	224,760	13,260	13,601	215,931	467,552
Thereafter	64,379	3,584	-	518,323	586,286
Total principal and interest	1,188,179	69,884	170,661	1,597,977	3,026,701
Less: interest	(493,981)	(29,015)	(61,895)	(775,144)	(1,360,035)
Balance at June 30, 2009	<u>694,198</u>	<u>40,869</u>	<u>108,766</u>	<u>822,833</u>	<u>1,666,666</u>

NOTE (7) - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of the following accounts:

	<u>2009</u>	<u>2008</u>
Petty cash	\$ 60	\$ 60
General Account - checking	61,585	54,102
General Account – savings	7,513	4,720
Revenue account - savings	3,389	3,369
LAMP investment	16,824	11,679
Construction account - checking	100	100
Depreciation fund - savings	17,954	12,703
Reserve note fund - savings	44,649	39,241
Customers' deposits - checking	48,970	42,017
	<u>201,044</u>	<u>167,991</u>

SUPPLEMENTARY INFORMATION

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
JUNE 30, 2009

Insurer	Coverage	Coverage Limits	Policy Period	
			From	To
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial General Liability	\$3,000,000	2/8/2009	2/8/2010
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial property	Various	2/8/2009	2/8/2010
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Boiler and machinery	500,000	2/8/2009	2/8/2010
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Robyn Cormier	100,000	2/8/2009	2/8/2010
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Ricky Theriot	100,000	2/8/2009	2/8/2010
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Bobby Richard	100,000	2/8/2009	2/8/2010
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Lois Register	100,000	2/8/2009	2/8/2010
LEMIC Insurance Company (Dupre-Carrier-Godchaux)	Worker's Compensation	500,000	5/29/2009	5/29/2010
Farm Bureau Insurance	Commercial General Liability	300,000	9/20/2008	9/20/2010
Farm Bureau Insurance	Automobile - 1988 GMC truck	300,000	7/3/2009	1/3/2010
Farm Bureau Insurance	Automobile - 2007 Dodge Dakota	300,000	5/11/2009	11/11/2009
National Union Fire Insurance Company of Pittsburg, PA (Dupre-Carrier-Godchaux)	Professional liability Policy on board members	1,000,000	10/15/2008	10/15/2009

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF DIRECTORS' AND OFFICERS' COMPENSATION
AS OF JUNE 30, 2009

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>	<u>Compensation</u>
Ricky Theriot	1/10	President	960 Hwy. 754 Sunset, LA 70584 (337) 684-6748	\$ 1,440
Linic Richard	1/11	Vice-President	1056 Hwy. 356 Sunset, LA 70584 (337) 668-4276	1,440
Bobby Richard	1/11	Secretary/ Treasurer	1321 Hwy. 754 Sunset, LA 70584 (337) 684-2294	1,440
Samuel Doucet	1/12	Board Member	916 Highway 754 Sunset, LA 70584 (337) 684-2180	1,440
Francis Henry	1/13	Board Member	2192 Hwy. 356 Sunset, LA 70584	1,440

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Section I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2008-1 Inadequate Segregation of Duties Within Accounting Functions

Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation.

Section II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.

Section III - MANAGEMENT LETTER

2008-2 Incorrect Payments into Reserve Account – Resolved

RELATED REPORTS

Chizal S. Fontenot, CPA
 James L. Nicholson, Jr., CPA
 G. Kenneth Pavy, II, CPA
 Michael A. Roy, CPA
 Lisa Trouille Manuel, CPA
 Dana D. Quebedeaux, CPA



JOHN S. DOWLING & COMPANY
 A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

John S. Dowling, CPA
 1904-1984
 John Newton Stout, CPA
 1936-2005

Retired

Harold Dupre, CPA
 1996
 Dwight Ledoux, CPA
 1998
 Joel Lanclos, Jr., CPA
 2003
 Russell J. Stelly, CPA
 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
 ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Sunset, Louisiana

We have audited the accompanying financial statements of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements and have issued our report thereon dated October 7, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Landry Waterworks District No. 2 Rural's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Landry Waterworks District No. 2 Rural's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Landry Waterworks District No. 2 Rural's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency (2008-1).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

To the Board of Directors
St. Landry Waterworks District No. 2 Rural
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether St. Landry Waterworks District No. 2 Rural's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Waterworks District's management and the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

John S. Dowling & Company

Opelousas, Louisiana
October 7, 2009

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of St. Landry Waterworks District No. 2 Rural.
2. One significant deficiency relating to the audit of the financial statements was reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance relating to the audit of the financial statements were reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. There was no single audit required under OMB Circular A-133.

Section II - 2009 FINDINGS - FINANCIAL STATEMENT AUDIT

Internal Control

2009-1. Inadequate Segregation of Duties Within Accounting Functions

Condition

St. Landry Waterworks District No. 2 Rural does not have adequate segregation of duties over receipts.

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control.

Cause

Only one person performs accounting duties for the Waterworks District.

Effect

Inadequate segregation of duties within the accounting functions.

Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system.

Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD TYPE</u>	<u>EXPENDITURES</u>
United States Department of Agriculture/Water and Waste Disposal Systems for Rural Communities	10.760	Direct Award	-0-

St. Landry Waterworks District No. 2 Rural has four revenue bonds outstanding with USDA Rural Development at June 30, 2009 as follows:

<u>Revenue Bonds</u>	<u>Outstanding Balance</u>
Series R-1	\$ 694,198
Series R-2	40,869
Series A	108,766
Series 2007	822,833
	<u>1,666,666</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

NOTE (1) - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of St. Landry Waterworks District No. 2 Rural. The Waterworks District's reporting entity is defined in Note 1 to St. Landry Waterworks District No. 2 Rural's financial statements.

NOTE (2) - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to St. Landry Waterworks District No. 2 Rural's financial statements.

NOTE (3) - RELATIONSHIP TO FINANCIAL STATEMENTS

The bonds payable are reported in St. Landry Waterworks District No. 2 Rural's financial statements as a liability.